

Tourism Industry Business Conditions Survey Summary

January 2024

To learn more about Minnesota tourism and hospitality industry health and trends, Explore Minnesota regularly partners with [Hospitality Minnesota](#) and the [Federal Reserve Bank of Minneapolis](#) to conduct industry business conditions surveys.

The most recent survey was open from January 9 to 16 and received 242 responses. Surveyed businesses are located across the five Minnesota tourism regions and engage in several types of Leisure & Hospitality (L&H) business. Specifically, 52% of survey respondents are overnight accommodations, 22% are food or drink establishments, 19% are attractions or entertainment companies and 7% are industry allied businesses.

With 2022 as the baseline for 2023 comparison, Explore Minnesota is focused on the current state of the industry and identifying year over year growth drivers. Below are five key findings.

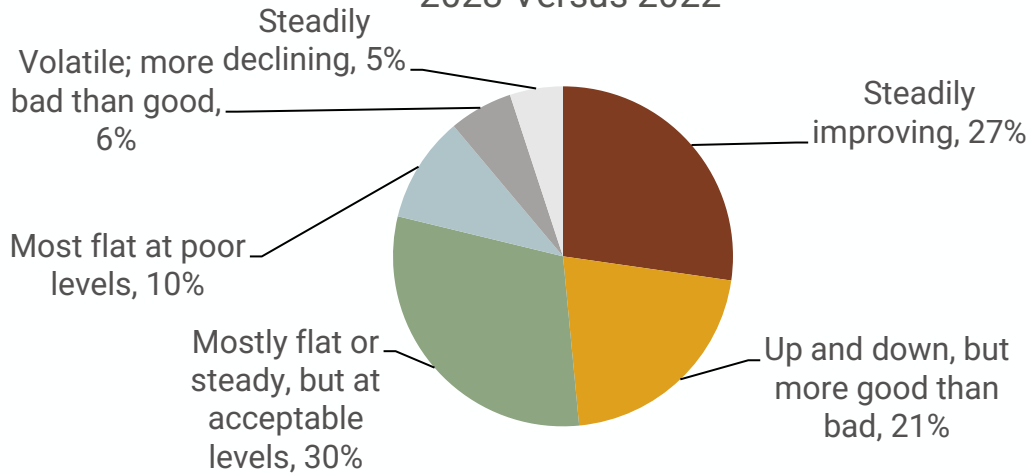
Key Finding 1: For most 2023 business activity was positive relative to 2022

When asked to describe business activity in 2023 compared to 2022, firms were mostly positive with 78% reporting steady improvement, more good than bad, or steady business at acceptable levels. This share of businesses in a positive position is similar to the 68% of firms that as of January 2024 are in a growing (14%) or stable, but positive (54%) position.

Across survey comments was a repeat message that the summer and fall 2023 travel seasons were strong, however, warmer than normal winter weather is having a negative business impact. Firms also reported that while visitors are travelling across Minnesota, consumers continue to be aware of their personal finances and inflation, and many patrons look for deals and forego extras.

Business Activity Comparison

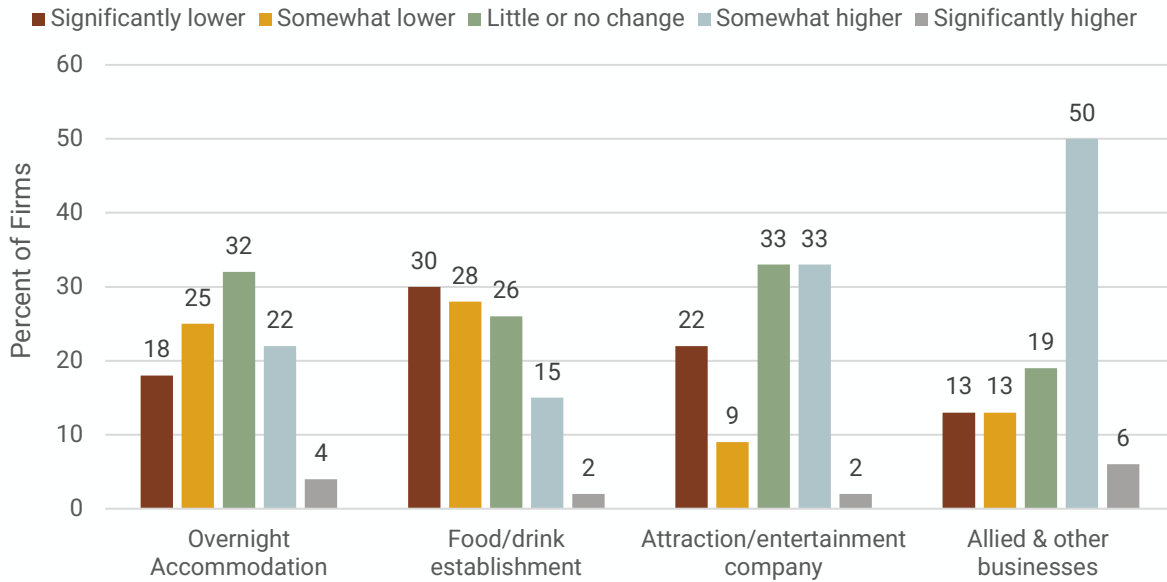
2023 Versus 2022



Key Finding 2: In September through December 2023, revenue compared to the same time period in 2022 varied by business type with accommodations and food/drink performing weaker and attractions and allied businesses performing stronger

- Overnight accommodations - 26% had revenue somewhat higher, 32% had similar revenue and **43% had somewhat or significantly lower revenue**
- Food/drink establishments- 17% had revenue somewhat or significantly higher, 26% had similar revenue and **58% had somewhat or significantly lower revenue**
- Attractions and entertainment companies - **35% had revenue somewhat or significantly higher**, 33% had similar revenue and 31% had somewhat or significantly lower revenue
- Allied businesses - **56% had revenue somewhat or significantly higher**, 19% had similar revenue and 26% had somewhat or significantly lower revenue

Revenue Comparison by Business Type Sept - Dec 2023

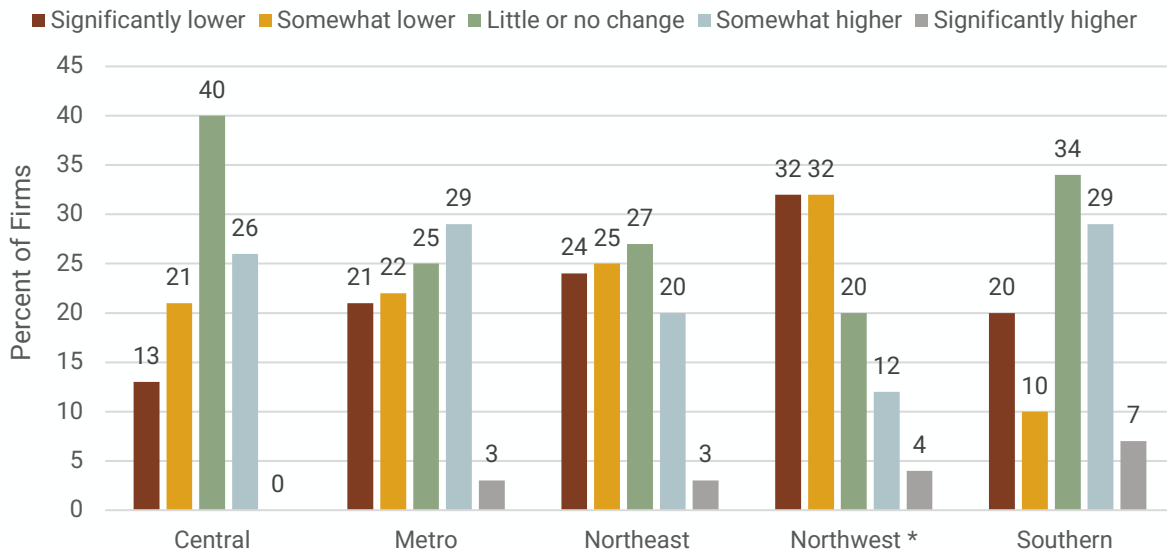


*Allied and other businesses results are directional due to less than 30 survey responses

Key Finding 3: By region of MN revenue varied in September through December 2023 relative to 2022 with Southern performing stronger, the Metro, Northeast and Northwest performing weaker, and Central performing similar to last year

- Central - 26% had revenue somewhat higher, **40% had similar revenue** and 34% had somewhat or significantly lower revenue
- Metro - 32% had revenue somewhat or significantly higher, 25% had similar revenue and **43% had somewhat or significantly lower revenue**
- Northeast - 23% had revenue somewhat or significantly higher, 27% had similar revenue and **49% had somewhat or significantly lower revenue**
- Northwest - 16% had revenue somewhat or significantly higher, 20% had similar revenue and **64% had somewhat or significantly lower revenue**
- Southern - **36% had revenue somewhat or significantly higher**, 34% had similar revenue and 30% had somewhat or significantly lower revenue

Revenue Comparison by MN Region
Sept - Dec 2023



* Northwest results are directional due to less than 30 survey responses

Key Finding 4: Financial pressures and industry labor challenges continue, however, they are less severe than in recent years

Similar to past surveys price inflation for necessary goods and services is the greatest challenge for 58% of industry businesses. Specifically, 43% reported that over the last 12 months wholesale prices charged by vendors have increased 5% or more.

While labor is less of a challenge compared to last year, wage increases (27%) and labor availability (24%) are the second and third top challenges for industry firms. For open or recently filled positions, 27% described labor availability as “very tight”, 25% described it as “moderately tight” and 16% described it as “slightly tight.” Additionally, 22% noted that they are not hiring at this time and don’t expect to in the near future. For hiring firms, increased wages (72%), work schedule flexibility (43%), and onsite perks, such as free food and drinks, (26%) are tactics companies are using to attract or retain workers.

Key Finding 5: Industry outlook for first half of 2024 is more positive than negative

When asked about their outlook for the first six months of this year, 43% of tourism and L&H firms are very or somewhat optimistic, 31% are neutral and expect activity similar to last year, and 27% are somewhat or very pessimistic.

Forward looking survey comments were mixed. Positively, one business owner explained that they are not worried about the impact of an election year or recession, as despite national and global problems people are still interested in local vacations. A firm from the SE region of Minnesota explained that growth is likely due to increased national attention. Another comment stated that while bookings are good, staffing is a challenge. Conversely, one firm explained that their winter bookings are below last year and another said that for the first time in 20 years they feel pessimistic.

